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TAGS: [ECON](#) [EFIN](#) [EINV](#) [ETRD](#) [PGOV](#) [AR](#)
SUBJECT: Argentina: Surprise Appointment to Head Central Bank

REF: 10 BUENOS AIRES 61; 10 BUENOS AIRES 55; 10 BUENOS AIRES 25

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Summary and Comment

[¶1.](#) (C) In a surprise move, President Cristina Fernandez de
Kirchner (CFK) appointed Mercedes Marco del Pont to the post of
President of the Central Bank of Argentina (BCRA). Marco del Pont,
50, and the first woman ever to hold the job, is now serving as
Interim President until she is confirmed by the Senate after it
reconvenes in March. The new BCRA President has been President of
the state-owned Banco Nacional de Argentina since 2008 and is an
industrial micro economist with a Masters degree in developmental
economics from Yale. She served as a Kirchner-aligned
Congresswoman from 2003-2007. Marco del Pont is considered a close
CFK ally and an advocate of government intervention in the economy.
In 2007, she sponsored a bill -- which was not passed -- to rewrite
the BCRA charter. Critics claimed that the goal was to curb the
bank's independence, but proponents said that the purpose of the
legislation was to codify the bank's responsibility to work more
closely with the government and take more carefully into account
factors such as economic growth and unemployment in its decisions
regarding monetary policy. End Summary/Comment

CFK Defends Altering BCRA Charter

[¶2.](#) (U) During the February 3 press conference announcing the
appointment, CFK defended the legislation Marco del Pont introduced
to alter the BCRA charter. She said that its goal was to increase

the BCRA's autonomy by adding job stability and economic growth to the BCRA's mandate of preserving the value of the currency. CFK added "If the economy doesn't grow, if wealth isn't created, if consumption isn't created on a sustainable basis, the stability of the currency doesn't last."

Appointment a Complete Surprise

13. (C) The appointment of Marco del Pont as BCRA President came as a complete surprise, even to people who consider themselves very close to the sources of power in Argentina. At a February 3 meeting with EconCouns, the same day as the announcement of the appointment, Diego Bossio, the Head of the Social Security Agency (ANSES), emphasized several times that he is quite close to the President and communicates with her regularly. He said that the plan for the BCRA, now that the Redrado saga was over, was to have Miguel Pesce, the former Deputy BCRA President, continue in his role as Acting President for now. After a decent interval of several months had passed, and the controversy had blown over, the aim was to appoint respected economist and former BCRA President Mario Blejer to the job. Since the entire Redrado imbroglio had,

in fact, begun with the premature announcement over a month ago by Minister of the Economy Boudou that Blejer would be appointed to the job, many, including Bossio, naturally assumed that it was only a matter of time until Blejer took the job. The announcement of Marco del Pont's appointment came about an hour after Bossio made these remarks. In a meeting with the DCM and EconCouns on February 4, the Executive Director of J.P. Morgan in Argentina, Carlos de Marcos, said that he had attended a February 3 bankers luncheon meeting with Pesce, who had no idea of what was about to happen when the meeting broke up shortly before the announcement. (The front page of the February 4 edition of La Nacion features a photo of a crestfallen, red-eyed Pesce sitting on a couch next to Marco del Pont hours after the appointment.)

Reaction Divided but Mostly Negative

14. (C) Reactions to the appointment have been mostly negative, with many focusing on Marco del Pont's supposed lack of expertise in macroeconomics and monetary policy. Businessman George Mandelbaum told EconCouns that she is "in over her head" with regard to monetary policy and will not provide serious leadership for the BCRA. Javier Finkman of HSBC Bank told Dep EconCouns that she is a well-regarded economist "but her area is industrial economics. She knows very little about macroeconomics and monetary policy." He feared that she will fully cooperate with the Kirchners' spending plans, and allow inflation to increase. In her defense, however, Finkman added that "she is fully aware of her lack of macroeconomic and monetary policy expertise." Whether this will impel her to seek expert advice or simply take the path of least resistance in cooperating with the government, he couldn't say. The press is also full of quotations from analysts who fear for the independence of the BCRA and worry about Marco del Pont's qualifications and ability to control inflation.

More Positive Views

15. (C) On the other hand, de Marcos of J.P. Morgan expressed a contrary view. He noted that reactions to the BCRA change of

leadership and other recent economic developments tend to be much more negative outside Argentina than inside the country. He said that Marco del Pont is a well-trained and serious economist who is fully capable of continuing the stewardship of the BCRA along the lines of her predecessor, Redrado (and has more formal training in economics than he does to boot). De Marcos said that despite Redrado's reputation to the contrary, the BCRA under his leadership was already extremely accommodating to the government's wishes, so there will not likely be any major changes in that regard, despite Marco del Pont's presumed closeness to CFK. De Marcos did not expect to see any significant changes in monetary policy in the short-run and expected Marco del Pont to continue the BCRA priority of ensuring exchange rate stability. However, he added that Marco del Pont is very export-oriented, so that as dollars begin to flow into the country to buy this year's expected strong grain harvest, she is likely to begin to allow for depreciation of the peso to a level lower than Redrado would have approved, but again, in a

carefully managed manner. Finally, he said that with respect to the GOA's proposed debt swap to the holdouts of the outstanding \$20 billion in defaulted Argentine bonds, J.P. Morgan continues to recommend a buy to its clients.

¶6. (C) A well-placed private banker, Willie Stanley (protect) of Banco Macro, expressed a similar view in a conversation with DCM. Stanley said that Redrado was extremely accommodating to the Kirchners, and if the first couple had been a little more patient in waiting Redrado out, he would have played ball with them on the Bicentennial Fund that triggered the dispute. Stanley added that Redrado had many skeletons in his closet, including financial misappropriation, and predicted that the vengeful Kirchners would go after him in due course. Stanley said that he did not expect great things from Marco del Pont, but over the long run her management of the back would vary little from Redrado's.

Comment

¶7. (C) Overall, CFK's performance in the February 3 press conference was more assured and less confrontational than the one she gave on January 19 (ref: 10 Buenos Aires 25). She handled with relative equanimity a question about her husband, former President Nestor Kirchner's purchase of USD 2 million in currency in October 2008, repeating the explanation NK gave a journalist the day before that the dollars were needed for the purchase of a hotel and were "in no way speculative" (ref: 10 Buenos Aires 61). Her tone was one of vindication, and her opening statement focused on the argument that the country need not have gone through a month of turmoil to get to the same place: her firing of Redrado. She asserted that the Constitution granted the President the unequivocal power to fire the Central Bank head. More broadly, she argued, Argentina's opposition needed to accept democratic outcomes and not challenge every new law in court when it failed to block legislation, as was now being done with the 2009 media law.

MARTINEZ